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# Financial Reporting Updates

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**Accounting Policy Meeting**  
**July 14, 2021**

**Expenditure Assistance, Appropriation Control and Financial Reporting sections**  
**Fiscal Management Division**



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# Agenda and Presenters

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## Processing Third-Party Transactions in USAS

Presenter: Lawrence Koonce  
expenditure assistance analyst

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## Travel Voucher Requirements & Four-per-Car Rule

Presenter: Vanessa Heckert and Christinia Morton  
expenditure assistance analysts

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## Establishing Appropriations

Presenter: Drey Lord  
appropriation control assistant supervisor

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## 87<sup>th</sup> Legislature Bills of Interest

Presenter: Ben Strauser  
appropriation control officer

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## GASB Statement No. 87, Leases

Presenter: David Haecker  
financial reporting assistant supervisor

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## Upcoming Webinars

Presenter: David Haecker  
financial reporting assistant supervisor

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## Questions

Presenters: Expenditure Assistance, Appropriation Control and  
Financial Reporting sections



# Processing Third-Party Transactions in USAS

See [Processing Third-Party Transactions in USAS for Payment/Travel Cards, Direct Bill Payments and Reimbursements \(FPP A.043\)](#) (login required) for more information.

## Making Payments to Citibank

- Payment Card (PCard)
- Central Billed Account (CBA) Travel Card
- Corporate Liability Individual Billed Account (CLIBA) Travel Card

## Virtual Card Accounts

- Generates a unique, 16-digit virtual card number for each transaction.
- Ability to manage controls:
  - ❖ Number of uses
  - ❖ Limit payment amounts or set a range
  - ❖ Set time frame in which card may be used
  - ❖ Restrict payment to specific vendors



# Processing Third-Party Transactions in USAS (Cont.)

## Who to Contact

- Payment Research
  - ❖ Contact Citibank Client Account Specialists at (855) 867-0772 or by email: [sotx.comcards@citi.com](mailto:sotx.comcards@citi.com)
- Questions about Citibank contracts?
  - ❖ Contact SPD at (512) 463-3435 or by email: [chargecardprogram@cpa.texas.gov](mailto:chargecardprogram@cpa.texas.gov)
- General purchasing questions?
  - ❖ Contact Expenditure Assistance at (512) 475-0966 or by email: [expenditure.assistance@cpa.texas.gov](mailto:expenditure.assistance@cpa.texas.gov)



# Travel Voucher Requirements

## Resources — [Texas Government Code, Section 660.027](#)

- The information or documentation required includes but is not limited to:
  - ❖ Employee headquarters
  - ❖ Duty point(s)
  - ❖ Required itemizations of expenses
  - ❖ Purpose of trip
  - ❖ Required receipts
- Include the definition of any abbreviations or acronyms used on the travel voucher/form to describe the state business conducted.
- Include a detailed explanation of how an incurred travel expense relates to state business.
- Any travel voucher other than the official Comptroller travel voucher must be approved by the Comptroller's office before use.
- Use [Travel Voucher Form \(73-174\)](#).





## Four-per-Car Rule

### Use of Single Motor Vehicle by Multiple Employees

- [Texas Government Code, Section 660.044](#): When employees from the *same* agency travel on the *same* dates with the *same* itinerary, only **one** employee may be reimbursed for mileage.
- Four or fewer employees — only one employee may be reimbursed for mileage.
- Greater than four employees — only one employee out of every four employees may be reimbursed for mileage.

**Note:** COVID-19 restrictions do not affect these rules.



## Establishing Appropriations

See [Establishing Appropriations by Method of Finance, Rider, Capital Budget and Transfer Schedules \(FPP A.020\)](#) for more information.

### Budget setups for Appropriation Year 2022

- Appropriations for state agencies and institutions of higher education are identified in the strategies and riders of the *Conference Committee Report for Senate Bill 1*, 87th Legislature, Regular Session, the General Appropriations Act (GAA) and other legislation containing AY 2022 appropriations.
- Before appropriation control officers (ACOs) will approve original budget transactions entered by agencies and institutions of higher education, four schedules must be completed (as applicable) and submitted to your agency's [ACO](#) by **July 30**, 2021:
  - ❖ Method of Finance Allocation Schedule
  - ❖ Rider Appropriation Schedule
  - ❖ Capital Budget Allocation Schedule
  - ❖ Appropriation Transfer Allocation Schedule



## Establishing Appropriations (Cont.)

### Budget setups for Appropriations Year 2022 (Cont.)

- Agency instructions for completing the required schedules and setting up budgets, AY22:
  - ❖ Review Method of Finance (MOF)
    - Ensure the correct appropriated fund is used (D22 profile)
      - Must use the local fund number (such as 9999). See [FPP S.009](#) to assist with determination.
      - Use appropriated fund 0999 if appropriated fund is unknown (i.e. – bonds).
  - ❖ Confirm USAS program code structure (D04 profiles) equals the LBB Crosswalk.
  - ❖ Confirm USAS program cost accounts (PCA) (26 profiles) have correct relationship of program codes and appropriation numbers.
  - ❖ Agencies may enter their budget documents as of July 1, 2021.

**Note:** The effective date of the batch header should be allowed to default to the current date, while the effective date of the transaction screen must be entered as Sept. 1, 2021.





## Establishing Appropriations (Cont.)

### Budget setups for Appropriations Year 2022 (Cont.)

- ❖ Agencies may enter their budget documents as of July 1, 2021.

**Note:** The effective date of the batch header should be allowed to default to the current date, while the effective date of the transaction screen must be entered as Sept. 1, 2021.

- ❖ Unobligated balances (UB) included in the MOF must be included on the *MOF Allocation Schedule* by entering the UB amount by MOF.

**Note:** For transparency purposes, agencies are required to enter an appropriation transfer-out (BT03) to move the amount of the UB funding to a UB Reduction Appropriation (EX: 27XXX).

- USAS coding requirements and CAPPS coding requirements are both outlined in [FPP A.020](#).



## Establishing Appropriations (Cont.)

### Budget setups for Appropriations Year 2022 (Cont.)

- By July 30, 2021, agencies and institutions **must**:
  - ❖ Enter the original appropriation budget transactions and appropriation transfers to capital budgets.
  - ❖ Submit all applicable schedules and copies of USAS original budget, capital budget transfer, and other agency transfer documents.
  - ❖ Email completed schedule(s) and original budget revision(s) to **both** your ACO **and** the ACO reports email address at: [aco.reports@cpa.texas.gov](mailto:aco.reports@cpa.texas.gov)
- The definitions used to complete the required schedules and relate to the column names are also fully defined in [FPP A.020](#) (i.e. – program code, appropriation number, etc.).
- For additional assistance, contact your agency's:
  - ❖ [ACO](#) with general policy or USAS questions.
  - ❖ [CAPPS support staff](#) with CAPPS questions.

# 87<sup>th</sup> Legislature Bills of Interest



## Recap/General Appropriations Act

- See [\*Changes to Article IX of the GAA and Other Bills of Interest to State Agencies \(FPP F.008\)\*](#).
- 7,025 Bills filed — 1,081 sent to the Governor (15% passage rate).
- GAA ([SB 1](#)):
  - ❖ Contains biennial appropriations of \$248.6 billion in all funds, a 1% decrease from the 2020/2021 biennium.
  - ❖ Does not include nearly \$16 billion in federal coronavirus relief funds.
  - ❖ Guidance on federal money recouped through a recovery audit (Article IX, Section 8.02).
  - ❖ New requirements for the appropriation of federal funds (Article IX, Sections 13.01 and 13.02).



## 87<sup>th</sup> Legislature Bills of Interest (Cont.)

### Benefit Changes

- No changes in retirement eligibility or calculation of benefits for current employees under ERS or TRS.
- New retirement structure for employees under ERS hired after Aug. 31, 2022 ([SB 321](#)).

### Standard Legislation

- Supplemental Appropriations bill ([HB 2](#)).

See [Processing Supplemental Appropriations and Reductions \(FPP A. 047\)](#).

- Funds Consolidation bill ([HB 2896](#)).

See [Funds Consolidation: Limits on New General Revenue Accounts, Special Funds and Dedications of Revenue \(FPP A.046\)](#).

- Agencies under sunset review ([SB 713](#)).
- Reporting procedures and requirements ([SB 799](#)).
- Miscellaneous Claims bill ([SB 1605](#)).



# 87<sup>th</sup> Legislature Bills of Interest (Cont.)



## Procurement/Purchase Legislation

- Disputed amounts listed in invoices ([HB 1476](#)).
- Vendor rebates ([SB 220](#)).
- Updates to contracting rules ([SB 799](#)).

## Miscellaneous Legislation

- Cybersecurity training requirements ([HB 1118](#)).
- Summaries of proposed rules ([HB 1322](#)).
- State employee family leave pool ([HB 2063](#)).
- State risk and authorization management program ([SB 475](#)).
- Public information requests during disasters ([SB 1225](#)).





## **GASB Statement No. 87, *Leases***

GASB 87 establishes a uniform approach to accounting for and reporting of leases based on the principle that all leases are (in substance) financings.

### **Implementation**

- GASB 87 is effective for fiscal 2022.
- Agency may implement earlier providing the agency uploads corrective entries (for the ACFR) to the LNSS web application to reverse the impact of GASB 87.
- Tentatively, modifications to the LNSS and LTLN web applications will occur in summer of 2022.



## **GASB Statement No. 87, Leases (Cont.)**

### **Minimum threshold**

\$100,000 net present value (NPV) of future minimum payments per unit.

For example: a 36-month lease, with a monthly payment of \$5,000 (assuming a 4% interest rate) would have a net present value of \$169,350.

If the lease is for a single piece of equipment, then it exceeds the threshold and is subject to GASB 87.

For example: If the lease is for 50 notebook computers, a "unit" is one notebook computer with a net present value of \$3,387 ( $\$169,350/50$ ), therefore not subject to GASB 87.



## **GASB Statement No. 87, Leases (Cont.)**

### **CPA-Provided Software for GASB 87 Leases**

- LeaseQuery implementation in process:
  - ❖ Agencies allowed up to two employees to access LeaseQuery:
    - **Entry and approver** – user can enter, modify and approve leases.
    - **Entry only** – user can enter and modify leases only.
  - ❖ Required data input template will be sent to agencies.
  - ❖ Agencies will input by one of the following methods:
    - Manual entry.
    - or–
    - Complete template and submit to the Financial Reporting section for initial upload.



# **GASB Statement No. 87, Leases (Cont.)**

## **Present Value Calculation Considerations**

- Scheduled period payments include:
  - ❖ Scheduled identifiable increases/decreases.
- Number of payments includes:
  - ❖ Only the noncancelable periods.
  - ❖ Any extension options that are reasonably certain to be exercised.
- Interest rate:
  - ❖ Contract stated rate (must be used if provided).
  - ❖ Implicit rate (if no stated rate and necessary data is obtainable).
  - ❖ CPA-provided borrowing rate (as last resort).

2021	1-Year Rate	2-Year Rate	3-Year Rate	5-Year Rate	7-Year Rate	10-Year Rate	20-Year Rate	30-Year Rate
Aug. 31 through Sept. 30	0.06	0.17	0.35	0.84	1.27	1.59	2.17	2.26

- Rates are updated quarterly.
- Rates for Oct. 1 – Dec. 31 will be provided the first week of October.



# **GASB Statement No. 87, Leases (Cont.)**

## **Pre-GASB 87 Leases**

- Capital leases criteria:
  - ❖ The lease transfers ownership of the property to the lessee by the end of the lease term.
  - ❖ The lease contains a bargain purchase option.
  - ❖ The lease term equals 75 percent or more of the estimated economic life of the leased property.
  - ❖ The present value of the minimum lease payments at the inception of the lease, excluding executory costs, equals at least 90 percent of the fair value of the leased property.
- Recording:
  - ❖ Net present value of lease to establish capital asset and capital lease liability.
  - ❖ Depreciate asset.
  - ❖ Reduce liability and record interest expense.
- Operating leases:
  - ❖ Expense per lease rate over time.





# GASB Statement No. 87, Leases (Cont.)

## Post-GASB 87 Leases

- **Short term leases** have a 12-month maximum noncancelable contract length, including any extensions.
- **Contracts that transfer ownership** are treated explicitly as sales of the asset by the lessor and a purchase of the asset on credit by the lessee. To qualify for such treatment, the lease contract must:
  - ❖ Transfer ownership of the asset to the lessee by the end of the contract.
  - and—
  - ❖ Cannot contain termination options.
- **All other** leases that do not fall into one of the two prior-listed categories are treated with the **new approach** subject to meeting the \$100k threshold.

**Note:** Leases that do not exceed the threshold are continued to be recorded as previous operating leases.

# GASB Statement No. 87, Leases (Cont.)



## Capital Leases

Review all current capital leases as of Aug. 31, 2021:

- Identify leases that transfer ownership:
  - ❖ Capital asset and accumulated depreciation do not change.
  - ❖ Capital Lease Obligation will need to be reclassified to note/loan payable.
- Other capital leases:
  - ❖ Capital asset and accumulated depreciation need to be reclassified to new *Intangible Right to Use* asset and accumulated amortization accounts.
  - ❖ Capital Lease Obligation need to be reclassified to new *Right to Use Lease Obligation*.



## **GASB Statement No. 87, Leases (Cont.)**

### **New GL Accounts & COBJs – Lessee-Related**

<b>Right to Use Asset</b>	<b>BTA</b>	<b>Basis Conv</b>
Land	0321	0621
Land – Amort	0322	0622
Buildings	0323	0623
Buildings – Amort	0324	0624
Facilities	0331	0631
Facilities – Amort	0332	0632
Infrastructure	0336	0636
Infrastructure – Amort	0337	0637
Equipment	0348	0648
Equipment – Amort	0349	0649
Vehicles	0358	0658
Vehicles – Amort	0359	0659

<b>Right to Use Asset</b>	<b>BTA</b>	<b>Basis Conv</b>
CL Lease Obligations	1129	1629

<b>Right to Use Asset</b>	<b>BTA</b>	<b>Basis Conv</b>
NC Lease Obligations	1219	1719

<b>Right to Use Asset</b>	<b>COBJ</b>
Increase in Obligation – Lease	3885
Amortization Expense – Lease	7885



## **GASB Statement No. 87, Leases (Cont.)**

### **New GL Accounts – Lessor-Related**

<b>Right to Use Asset</b>	<b>BTA</b>	<b>Basis Conv</b>
CA Lease Receivable	0256	n/a
NC Lease Receivable	0479	n/a

  

<b>Right to Use Asset</b>	<b>BTA</b>	<b>Basis Conv</b>
Deferred Inflow of Resources — Leases	1545	1975



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## Upcoming Webinar

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- Wednesday, **Aug. 18**  
2:00 – 4:00 p.m. (CDT)

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## Questions?

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If you have additional questions, contact your agency's [expenditure assistance analyst](#), [appropriation control officer](#) or [financial reporting analyst](#).